



Pangolin Asia Fund March 2020 NAV

As at the 31st of March 2020 the NAV of the Class A shares of the Pangolin Asia Fund was US\$313.82 net of all fees and expenses, down 25.36% from US\$420.43 in February. YTD we're down 36.45%. This is our biggest ever monthly fall. We own some fairly illiquid companies and Indonesia has been hit particularly hard.

As of today, the fund is about 80% invested, with the split being approximately as follows:

Singapore	24%
Malaysia	29%
Indonesia	36%
Thailand	11%

We don't disclose our names but some details are always available to investors (and those wishing to become investors) on request.

To put things into some perspective, please see the tables below.

Return (in local currencies, except MSCI Asia Ex-Japan)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Mar 2020	-13.74%	-12.51%	-10.12%	-16.76%	-8.89%	-17.60%	-16.01%	-12.24%	-19.83%	-25.36%
YTD 2020	-23.20%	-20.00%	-14.18%	-27.95%	-14.97%	-23.01%	-28.74%	-18.60%	-31.03%	-36.45%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Mar 2020	-13.74%	-12.51%	-10.12%	-26.92%	-11.13%	-19.24%	-19.16%	-12.24%	-19.83%	-25.36%
YTD 2020	-23.20%	-20.00%	-14.18%	-38.74%	-19.50%	-27.11%	-35.36%	-18.60%	-31.03%	-36.45%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Mar 2020	-2.46%	-2.03%	-12.21%	-3.75%
YTD 2020	-5.33%	-5.35%	-14.98%	-9.30%

The fund's net assets are currently around USD90m of which around USD18m (20%) is in cash.

Like many, my current outlook rather depends on which side of the bed I get out of. Nevertheless, once we are through this, it will take quite a while for global economic activity to return to normal. In a post-virus world, I would expect Asia to get back to work fairly quickly as here, due to fewer social safety nets, if you don't work you don't eat. The problem will be slack demand from elsewhere.

And that is in a post-virus world, or at least one in which we are no longer worrying about it quite so much. We may well get to a point at which some countries are virus free and others still have it. Maybe Malaysia and Singapore will be without it, Thailand might still be struggling and Indonesia will have realised that there's not much it can realistically do about it. As for Europe and the US (let alone the rest of the world) who knows but, for sure, travel restrictions are likely to remain.

So, normally, if markets fall around 35%, I'm a happy boy. But to be honest, I can't realistically make a call on whether stocks are cheap as I have no idea what company earnings are going to look like this year or next; it depends on how well the world recovers, not on wishful thinking.



To get some kind of idea of the portfolio's valuation, we are ignoring this year and assuming next year's earnings come in at around 75% of our previous 2020 forecasts. This is, of course, guesswork at this stage.

Portfolio metrics for 2021 assuming earnings are 25% below 2020's original forecast

PE	12.8x
ROIC	20%
Dividend Yield	4.8%
P/B	1x

Excluding our financials and IGB, most of our businesses have net cash on their balance sheets. I find it unlikely that any of them are likely to go out of business and, given management and financial strength, I'd be surprised if they aren't able to emerge from this crisis stronger than before – e.g. there remain the means to continue to advertise when the competition can no longer afford to.

We own a resilient portfolio of good companies. Whether markets will remain this high is anyone's guess. Historically, bear markets fall further than this and some stocks already have. We will buy what we think is cheap enough, perhaps by selling what is relatively more expensive. But to be honest, I'm not at a table-thumping BUY, BUY, BUY point yet. Governments are printing money and this may keep markets up, although I would hope that at some point we will return to a time when prices reflect fundamentals again.

Coronavirus in our Region (and yours)

Getting a handle on the current crisis and when it is likely to end is probably the key to clarity in forecasting. Chiew Sia has done a lot of work on this, and we've analysed the *net growth in active cases* for Italy, UK, USA, Thailand, Singapore, Indonesia, Malaysia, Switzerland, Austria & Sweden. We've used 3 scenarios.

- 1) extrapolating at the latest % daily increase.
- 2) using the last 5 days' compound growth rate.
- 3) Assuming a 15% increase.

Please use the numbers as illustrations, not forecasts. Obviously, the numbers cannot exceed the populations of the given countries.

Given that many cases are undetected yet still infectious, even single digit growth rates can result in large numbers.



Figure 1: An Overview of COVID-19 Cases and Pangolin's Forecast

Updated: 5 Apr 2020

Country	Total Cases	New Cases Daily	* Death Rate %	** Recovery Rate %	^Active Cases %	% Change Daily Active Cases	01-May-20 forecast	01-Jun-20 forecast
Malaysia	3,662	179	1.7	27.4	70.9	3.4	6,169	17,314
Indonesia	2,273	181	8.7	7.2	84.1	9.1	18,561	279,132
Singapore	1,309	120	0.5	24.4	75.1	10.9	14,644	366,760
Thailand	2,169	102	1.1	36.6	62.4	-1.5	924	586
Italy	128,948	4,316	12.3	16.9	70.8	3.4	215,834	602,466
Austria	12,051	270	1.7	24.9	73.4	-2.6	4,426	1,937
US	336,673	25,316	2.9	5.3	91.8	7.3	1,925,459	17,052,156
UK	47,806	5,903	10.3	0.3	89.4	14.1	1,319,636	78,808,892
Switzerland	21,100	595	3.4	30.4	66.2	4.1	39,389	135,557
Sweden	6,830	387	5.9	3.0	91.1	6.1	29,168	183,975



The grey columns are our forecast of total active cases by using three different growth rate scenarios i.e. active cases' daily growth rate (green), last 5-Day CAGR (yellow) and a self-assumed fixed rate (blue) for all countries.

* Death rate - lower is better

** Recovery rate - higher is better

^ Active cases are those who are sick, exclude recovery and death - lower is better

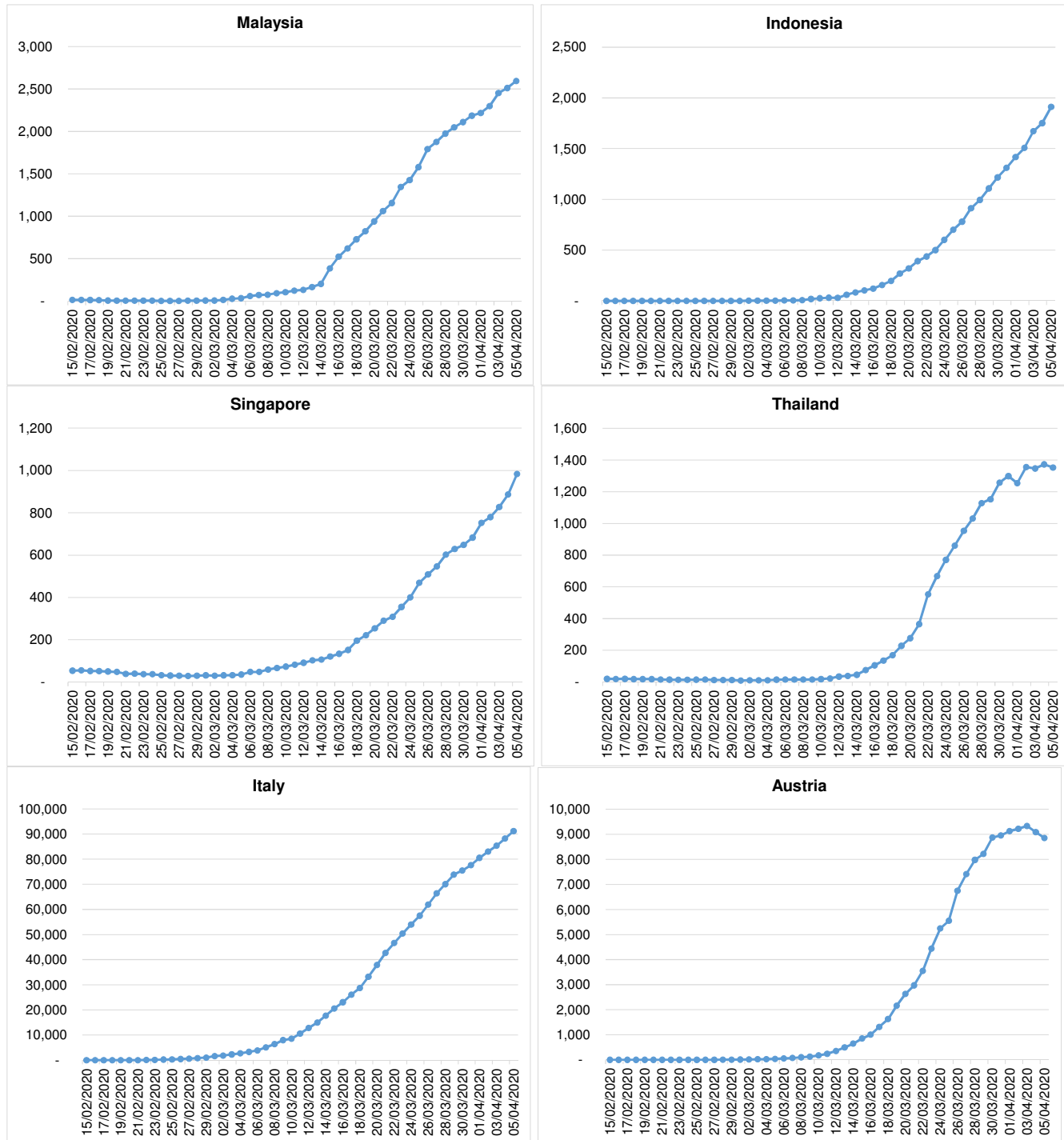
Source: Worldometers, Pangolin

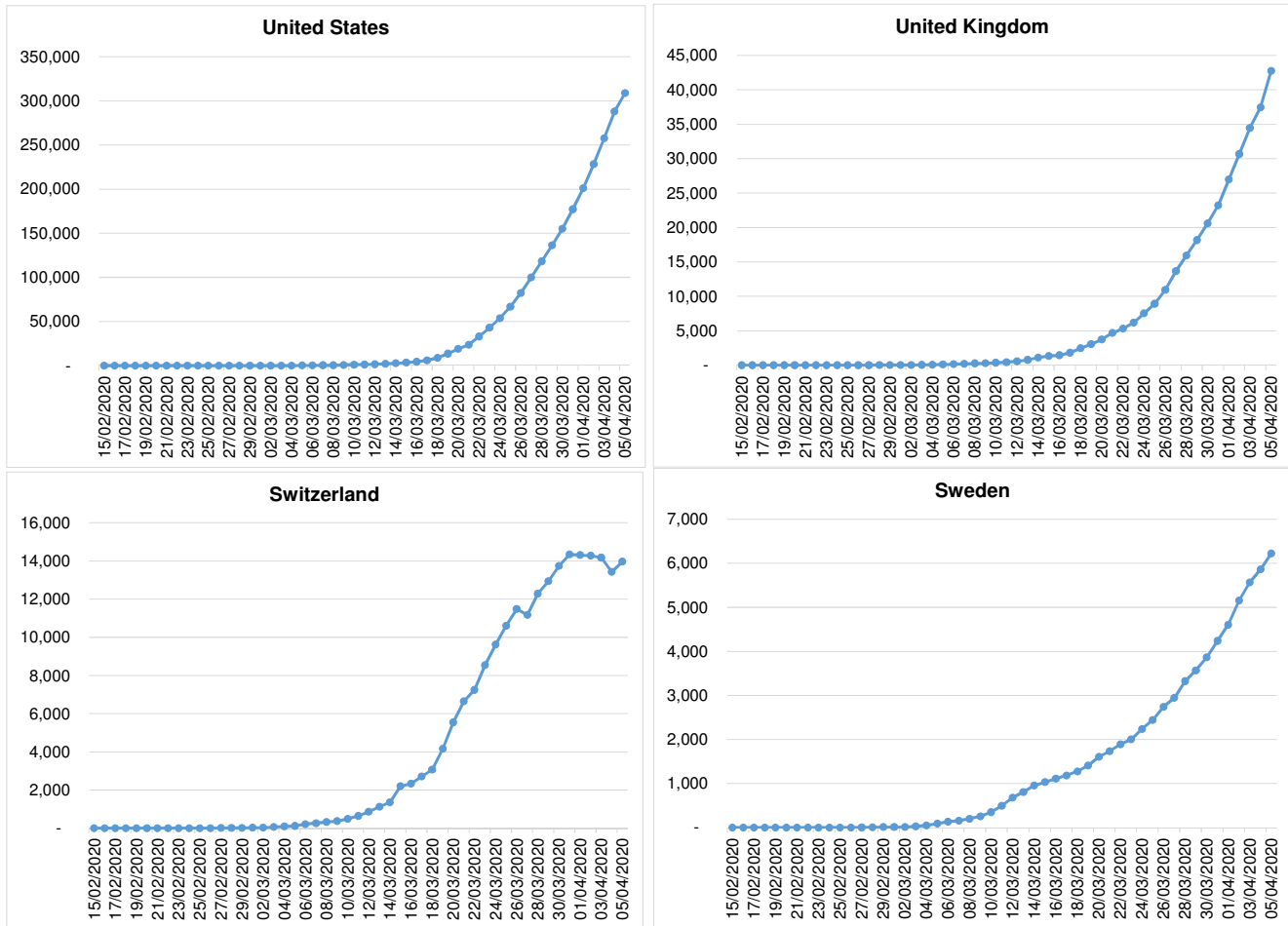
Country	% Change 5-day CAGR	01-May-20 forecast	01-Jun-20 forecast
Malaysia	3.5	6,346	18,423
Indonesia	7.8	13,561	140,269
Singapore	7.6	6,529	62,412
Thailand	0.8	1,672	2,153
Italy	3.3	211,362	575,434
Austria	-0.2	8,308	7,706
US	11.8	5,573,101	175,253,395
UK	13.0	1,018,399	44,654,127
Switzerland	-0.5	12,155	10,296
Sweden	8.0	45,863	496,204

Country	% Change Our assumption	01-May-20 forecast	01-Jun-20 forecast
Malaysia	15	98,276	7,483,101
Indonesia	15	72,344	5,508,554
Singapore	15	37,213	2,833,547
Thailand	15	51,220	3,900,091
Italy	15	3,454,281	263,021,188
Austria	15	334,995	25,507,688
US	15	11,700,778	890,938,659
UK	15	1,617,886	123,191,554
Switzerland	15	528,859	40,269,228
Sweden	15	235,621	17,940,993



Figure 2: Active cases trend (look out for bell curve)





Source: Worldometers, Pangolin

We'd obviously like to see zero new infections, coupled with a decline in active cases and driven by recoveries. In the countries in which we invest, the places with the best outlook would be Singapore (driven by extensive testing) and Malaysia (driven by an enforced lockdown). Thailand and Indonesia are still in the early stages and, given the rural nature of these economies, those counts are probably understated. Furthermore, their ability to control the spread, let alone carry out mass testing and provide ICU beds if the numbers escalate, is questionable. Fingers crossed, but Indonesia is probably the most vulnerable to mass infection.

We've included a few western countries, partly out of interest and also because we live in a connected world. Lockdowns do seem to work, when strictly enforced.

Outlook

Markets go up and down and there are always opportunities. Living through the Asian Financial Crisis of 1997/98 has given me an aversion to owning companies with excessive leverage. As we are seeing, things can change fast. In the long term (as our performance chart below shows) owning well managed and conservatively capitalised companies is a good thing. In the last couple of months or so, it has given the fund's NAV no protection. We can manage what we own, but not the market's pricing.



I'm fairly long in this business and I'm supported by a strong team. This'll be Asia's century. I would expect that in 5 years' time the value of the portfolio will be well above current levels, but I can't predict what'll happen in the short term, other than volatility.

Here's wishing you and your families remain safe and healthy,

James.

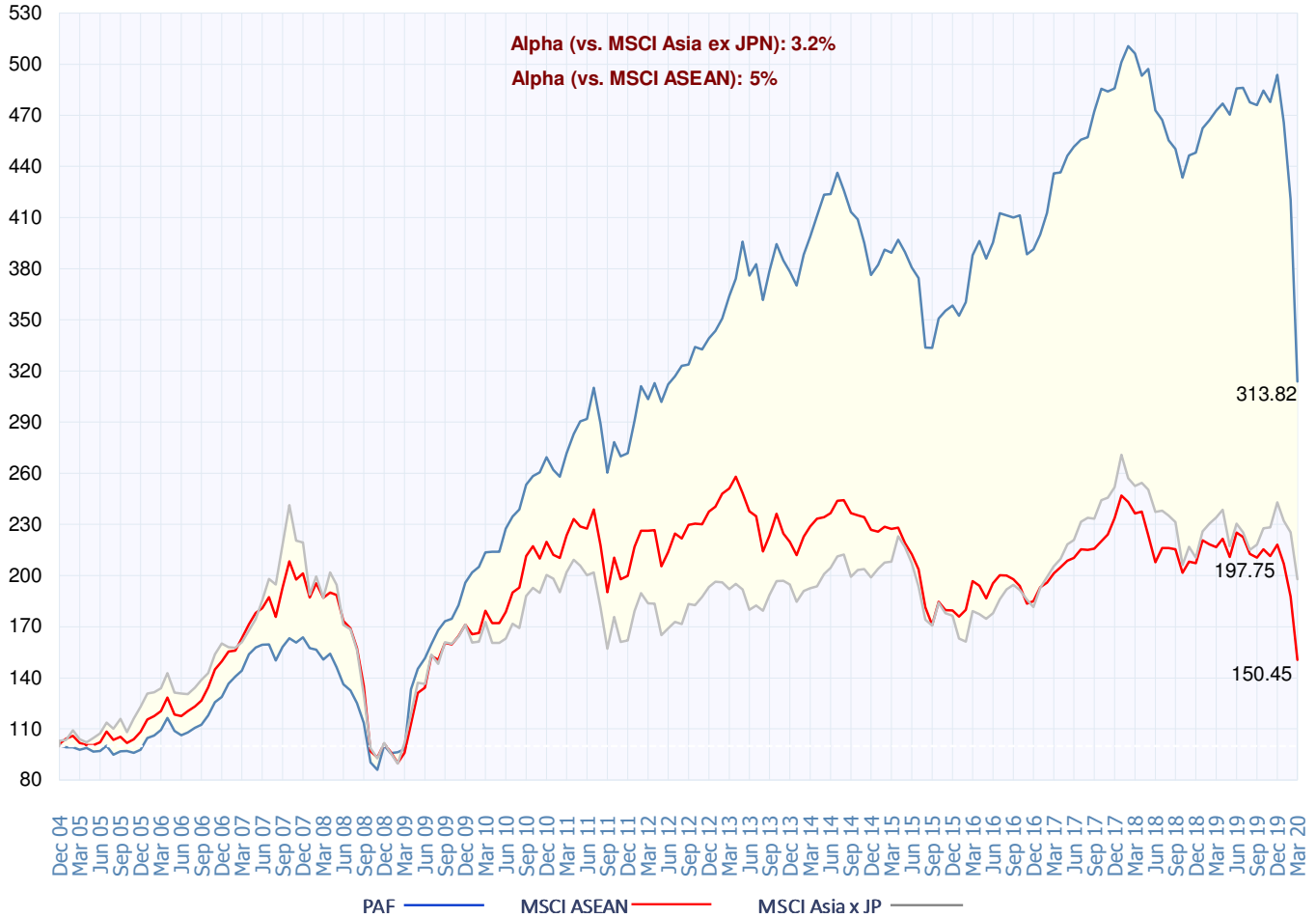
6th April 2020

We don't like to discuss our stocks publicly but I am always happy to talk to existing investors and those interested in investing. The Pangolin Asia Fund is most suitable for investors who are happiest when markets are falling.



Fifteen years track record and annualised return of 7.74%

PAF vs. MSCI South East Asia





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	NAV	465.73	420.43	313.82										-36.45%
	% chg	-5.69%	-9.73%	-25.36%										
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%	0.37%	
2017	NAV	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10	485.61	483.86	485.79	24.18%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%	-0.36%	0.40%	
2016	NAV	352.31	360.43	387.79	396.17	386.04	395.41	412.53	411.2	410.02	411.25	388.48	391.19	9.16%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%	4.33%	-0.32%	-0.29%	0.30%	-5.54%	0.70%	
2015	NAV	382.31	391.18	389.48	396.82	389.67	380.77	374.61	333.73	333.52	350.84	355.19	358.38	-4.76%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%	-2.28%	-1.62%	-10.91%	-0.06%	5.19%	1.24%	0.90%	
2014	NAV	370.08	388.25	398.79	410.89	423.38	423.84	436.37	425.85	413.36	408.97	395.23	376.28	-0.52%
	% chg	-2.16%	4.91%	2.71%	3.03%	3.04%	0.11%	2.96%	-2.41%	-2.93%	-1.06%	-3.36%	-4.79%	
2013	NAV	343.47	350.86	364.04	374.14	395.94	375.98	382.69	361.54	378.56	394.53	384.87	378.24	11.48%
	% chg	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%	1.78%	-5.53%	4.71%	4.22%	-2.45%	-1.72%	
2012	NAV	290.78	311.15	303.35	313.01	301.88	312.18	316.87	323.01	323.75	334.08	332.63	339.29	24.85%
	% chg	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%	1.50%	1.94%	0.23%	3.19%	-0.43%	2.00%	
2011	NAV	261.86	258.03	271.83	283.00	290.51	291.75	310.23	289.05	260.46	278.31	269.95	271.75	0.85%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%	6.33%	-6.83%	-9.89%	6.85%	-3.00%	0.67%	
2010	NAV	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78	253.28	258.37	260.53	269.47	37.58%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%	0.84%	3.43%	
2009	NAV	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.60	195.87	95.34%
	% chg	-4.59%	0.74%	1.81%	35.77%	9.03%	4.18%	5.54%	5.18%	3.11%	0.74%	4.65%	7.27%	
2008	NAV	157.49	156.55	150.63	154.03	146.18	136.23	132.58	125.09	113.55	90.36	85.98	100.27	-38.81%
	% chg	-3.89%	-0.60%	-3.78%	2.26%	-5.10%	-6.81%	-2.68%	-5.65%	-9.23%	-20.42%	-4.85%	16.62%	
2007	NAV	136.43	140.75	144.17	153.68	157.90	159.36	159.56	150.23	158.13	163.17	160.72	163.86	27.19%
	% chg	5.90%	3.17%	2.43%	6.60%	2.75%	0.92%	0.13%	-5.85%	5.26%	3.19%	-1.50%	1.95%	
2006	NAV	104.53	106.09	109.42	116.62	108.82	106.34	107.96	110.76	112.41	117.94	125.81	128.83	31.74%
	% chg	6.89%	1.49%	3.14%	6.58%	-6.69%	-2.28%	1.52%	2.59%	1.49%	4.92%	6.67%	2.40%	
2005	NAV	99.24	99.37	97.77	98.86	96.77	97.05	100.14	94.90	96.99	97.05	96.14	97.79	-2.57%
	% chg	-1.13%	0.13%	-1.61%	1.11%	-2.11%	0.29%	3.18%	-5.23%	2.20%	0.06%	-0.94%	1.72%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 64.67%
Annualised return 7.74%



By Sector

